

Message Text

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: CONGRESSIONAL INTEREST IN RECIPROCITY IN
FOREIGN BANK ESTABLISHMENT

REFS: A) STATE A-3324 DATED 4/23/74; B) STATE A-3945

DATED 5/5/74. C) STATE A-9082 DATED 12/11/74.

D) STATE 157474 DATED 7/7/75

1. INDIVIDUAL RECIPROCITY REQUIREMENTS HAVE HAD NO
BENEFICIAL IMPACT IN LONDON. BANK OF ENGLAND CONTINUES
TO CONSIDER THAT RECIPROCITY IN GENERAL TERMS IS AN
ANATHEMA GIVEN SPECIFIC UK GOVERNMENT DESIRES OF MAIN-
TAINING UK ROLE AS AN INTERNATIONAL FINANCIAL CENTER. TO
LARGEST EXTENT POSSIBLE, UK FOLLOWS PRINCIPAL OF GIVING
NATIONAL TREATMENT TO FOREIGN BANKS. THE CRITERIA FOR
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PERMITTING FOREIGN BANKS TO ESTABLISH IN LONDON IS NOT

ONE OF RECIPROCITY BUT RATHER DO THE FOREIGN BANKS MEET THE CRITERIA ESTABLISHED BY THE BANK OF ENGLAND. DETAILS CONTAINED IN LONDON A-346 OF APRIL 11, 1974 AND LONDON 4186 OF SEPTEMBER 24, 1974 REMAIN GENERALLY VALID.

THERE ARE OVER 300 FOREIGN BANKS IN LONDON, OF WHICH AT THERE ARE AT LEAST 38 BRANCHES AND 15 REPRESENTATIVE OFFICES. ADDITIONAL US BANK INVOLVEMENT IN CONSORTIA RAISES THE NUMBER HIGHER.

BANK OF ENGLAND OFFICIALS

SERIOUSLY CLAIM THERE ARE MORE US BANKS IN LONDON THAN IN NEW YORK.

2. BANK OF ENGLAND AND UK CLEARING BANKS GENERALLY WOULD ARGUE THAT UK PRACTICE IS CONSIDERABLY MORE LIBERAL THAN US PRACTICE IN PERMITTING FOREIGN BANK ESTABLISHMENT. FOREIGN BANKS IN THE UK CAN, IN PRINCIPAL, ESTABLISH BRANCHES THROUGHOUT THE COUNTRY WHEREAS IN US, BRITISH BANKS CAN ONLY ESTABLISH IN INDIVIDUAL STATES THAT SO PERMIT.

3. BANK OF ENGLAND AND CLEARING BANKS HERE GENERALLY HAVE NO PROBLEM WITH LEGISLATION PROPOSED BY FEDERAL RESERVE BOARD, PROVIDED THAT UK BANKS ARE SEEN TO RECEIVE EQUAL TREATMENT WITH US BANKS AND THAT GRANDFATHERING PROVISIONS ARE REASONABLY LIBERAL. RECIPROCITY REQUIREMENTS IN US LEGISLATION COULD BE COUNTER-PRODUCTIVE HERE, TO DEGREE THAT CLEARING BANKS MIGHT ASK BANK OF ENGLAND TO INITIATE OFFSETTING CONSTRAINTS ON ACTIVITIES OF US BANKS IN LONDON.

4. BELIEVE THAT A FEDERAL LICENSING APPROACH WHICH TREATS UK BANKS ON EQUAL BASIS WITH US BANKS WOULD BE UNDERSTOOD AND ACCEPTED HERE, DESPITE SOME GRUMBLING. BASED ON RECENT CONVERSATIONS WITH CLEARING BANKS AND BANK OF ENGLAND OFFICIALS, IT DOES NOT APPEAR THAT FEDERAL RESERVE MEMBERSHIP WHETHER A BLANKET REQUIREMENT OR BASED ON LEVEL OF ASSETS PRESENTS ANY REAL PROBLEM TO UK BANKS OPERATING IN THE US.

5. EMBASSY WOULD NEED TO SEEK WASHINGTON'S LEGAL LIMITED OFFICIAL USE

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OPINION ON RELATIONSHIP BETWEEN BANK ESTABLISHMENT AND JAY TREATY.

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